

LJM2 APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: EECC Blue Dog Turbine Purchase

Date Approval Sheet completed: as of 05/12/00

Enron person completing this form: Gehle/Marlow/Kelly

Expected closing date: 05/12/00

Business Unit: Enron Engineering & Construction

Business Unit Originator: Fred Kelly

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☐ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☒ Other: An option agreement to purchase turbines.

Person(s) negotiating for Enron: Fred Kelly

Person(s) negotiating for LJM: Michael Hinds

Legal counsel for Enron: David Bargainer

Legal counsel for LJM: Mike Edsall, Amy Harvey

DEAL DESCRIPTION

LJM will enter into a Letter of Agreement with General Electric Company to acquire the rights to purchase two PG7121EA Gas Turbine Generator Sets. LJM2 will appoint EECC as its Agent to negotiate the Purchase Agreement and EECC will enter an Option agreement with LJM2 to acquire LJM2's rights to purchase the two Gas Turbine Generator Sets.

In consideration of LJM2's role in facilitating this transaction, EECC will pay LJM2 a non-refundable option payment of \$846,378. In consideration for EECC acting as Agent for LJM2 in negotiating this transaction, LJM2 will pay EECC a pro-rated Agency Fee of \$100,000 for each six months the Agency agreement is in effect.

In the event that EECC fails to complete negotiation of the Purchase Agreement by May 31, 2000 and the letter agreement is terminated by either party, EECC shall pay LJM2 as liquidated damages all amounts paid by LJM2 to GE under the Letter Agreement including the \$2,000,000 initial payment. EECC will also reimburse LJM2 for the amount of the Agency fee payable by LJM2, and for all transaction costs incurred by LJM2 as a result of such failure. The Purchase Agreement is substantially complete, however, and it is definitely expected that it will be executed by May 31, 2000.

EECC will have the option to acquire the turbines until November 10, 2000. It is anticipated that by that date EECC will identify a profitable power project opportunity within Enron or with a third party in which to utilize the turbines and will exercise its option to purchase the turbines from LJM2, although there is no obligation for EECC to exercise such option.

ECONOMICS

This transaction will require EECC to pay the above-mentioned amounts to LJM2. Additionally, if EECC elects to exercise its option, it will acquire LJM2's rights to acquire the turbines, for the then Fair Market Value of the turbines.

This transaction will allow EECC to potentially secure these turbines off balance sheet until it is clear on which project opportunity and under which structure they will be employed.

DASH

Please reference the approved DASH dated 04/14/00 and the approved Amendment dated 04/28/00. Please note that the LJM2 option premium and the commitment fee, combined, is higher than \$200,000 anticipated in the original DASH. Please also note the liquidated damages that will apply in the event EECC is unable to complete the negotiation of a Purchase Agreement by May 31, 2000.

CHECKLIST

1. Sale Options

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GOVERNMENT
EXHIBIT
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JEDI II APPROVAL SHEET

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- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Condor ☐ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: this transaction involves the purchase of an asset (the option).
- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____
- c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: in view of time constraints LJM2 is considered the most expeditious vehicle for this transaction. Enron accounting and finance staff agree that the terms of the agreements with LJM2 are fair and at market for LJM2's role in this transaction.

Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____
- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

Terms of Transaction

- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings
☒ Other: Since there is not a specific identified use for the turbines at this time, this transaction will provide accounting flexibility and will avoid the need to carry the transaction on Enron's balance sheet
- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____
- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____
- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. (The Audit Committee has not held a meeting since LJM2's formation.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

APPROVAL SHEET

APPROVALS

	Name	Signature	Date
Business Unit	Fred Kelly/Larry Izzo	<i>[Signature]</i>	22 May 00
Business Unit Legal	John Schwartzenburg	<i>[Signature]</i>	22 May 00
Enron Corp. Legal	Rex Rogers	<i>[Signature]</i>	5-24-00
Global Finance Legal	Scott Sefton	<i>[Signature]</i>	5-23-00
RAC	Rick Buy <i>[Signature]</i>	<i>[Signature]</i>	5/25/00
Accounting	Rick Causey	<i>[Signature]</i>	5/26/00
Executive	Jeff Skilling		

Verbal from Rick Buy
on 5/25/00